

Notice No.: 03-003
Date: August 20, 2003
Applies to: All Employers
Subject: Summary of 2003 Legislation

This Notice provides a summary of pension legislation passed during the 2003 legislative session that may affect you or your employees. This information does not offer legal interpretations or detailed instructions for implementation. The legislation is listed in order of potential impact to you and your employees.

Legislative Summary

SHB 1829—Plan 1 PERS Retire/Rehire

This bill changes the number of hours a Public Employees' Retirement System (PERS) Plan 1 retiree can work after retirement before their pension is suspended. For members who retired prior to August 1, 2003, the legislation continues to allow a retiree to work in an eligible position up to 1,500 hours per calendar year without affecting their benefit, provided the retiree waits at least one calendar month before returning to work.

For members who retire on or after August 1, 2003, and wait at least 30 calendar days before returning to work, the legislation allows employment in an eligible position for up to 867 hours per calendar year. In order to work up to 1,500 hours in a calendar year:

- The retiree must wait at least 90 calendar days after the effective retirement date before returning to work, and;
- The employer must document a justifiable need to hire a retiree, keep a record of the hiring process, and use their established hiring process with approval by the appropriate level of authority.

The bill also adds a new feature that creates a maximum limit on the number of hours a retiree can work beyond 867 in a calendar year and still receive a pension. This feature applies retroactively. Any hours worked over 867 and less than 1,500 in a calendar year count toward a maximum limit of 1,900 hours. Once the 1,900-hour limit is reached, the benefit is suspended and a retiree can work up to 867 hours in subsequent calendar years.

In addition, the bill changes the definition of “separation from service” to specify that a retiree cannot have a verbal or written agreement to resume employment with the same employer following termination. (See RCW 41.40.010(42) for the exact language)

For more information, please refer to the link: <http://www.drs.wa.gov/member/1829faq.htm> on the DRS Web site. Additional information will be provided in a future DRS Notice.

SB 5094—Classified Substitute School Employees

This bill allows substitute school employees who are members of the School Employees’ Retirement System (SERS) or eligible to become members of SERS, to apply to DRS for service credit after the end of the school year during which work was performed. Due to this change:

- As of July 27, 2003, school districts and educational service districts must stop reporting any member of SERS who is working only as a substitute because they are now excluded from SERS membership. Report a July 26, 2003 termination date via the transmittal report.
- “Substitute employee” is defined in SERS as a classified employee who is employed by an employer exclusively as a substitute for an absent employee. If the absent employee returns or terminates, the employee is no longer qualified as a substitute. Refer to RCW 41.35.010(38).
- Employers will need to provide quarterly reports to classified substitutes, similar to those provided to substitute teachers.

More information will be provided in a future DRS Notice.

HB 1206—Plan 3 Member Contribution Rates

This bill gives Plan 3 members in PERS, SERS, and the Teachers’ Retirement System (TRS) an annual window each January during which they may select a different retirement contribution rate option.

Before the legislation can be enacted, Internal Revenue Service (IRS) approval is necessary. The IRS has approved an annual window for TRS. The first annual opportunity for TRS Plan 3 members to change their contribution rate option will occur in January 2004. School districts will receive instructions for reporting rate changes during the annual window in the fall of 2003.

DRS requested, but has not yet received the necessary IRS approval to extend this option to PERS and SERS. If IRS approval is received before the end of 2003, every attempt will be made to extend the flexibility to PERS and SERS members in January 2004.

HB 1205— Fish and Wildlife Enforcement Officers into LEOFF

This bill requires Department of Fish and Wildlife enforcement officers formerly in PERS Plan 2 or PERS Plan 3, to become members of the Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF) Plan 2, effective July 27, 2003. Service prior to the effective date will remain in PERS.

HB 1202— EMTs into LEOFF

This bill allows some members working as fire fighter emergency medical technicians (EMTs) to transfer service credit and contributions earned from PERS Plan 1 or Plan 2 to LEOFF Plan 2 if, while employed for a city, town, county or district, the EMT's job was relocated to a fire department from another department. Members electing to transfer EMT service credit are required to pay the difference between the contributions the employee paid to PERS Plan 1 or Plan 2 and the contributions that would have been paid by the employee had they been a member of LEOFF Plan 2, plus interest.

SHB 1204— Governance

This bill replaces the current Joint Committee on Pension Policy with a 20-member Select Committee on Pension Policy composed of eight state legislators, four active retirement system members, two retirees, four employer representatives, and the Directors of DRS and the Office of Financial Management.

SB 5096— TRS Plan 1 Extended School Year

This bill allows DRS to use a different period for the TRS Plan 1 Average Final Compensation (AFC) calculation in lieu of the fiscal year. Only TRS Plan 1 members employed by a school district that uses an extended school year can use this different AFC period.

HB 1207— \$150,000 Death Benefit

This bill provides a \$150,000 duty-related death benefit to survivors of PERS, SERS, and TRS members who die because of injuries sustained in the course of employment. Eligibility to receive the benefit will be determined by the Department of Labor and Industries.

SHB 5100— Fallen Heroes' Survivor Benefit

This bill provides that on-going pension payments to qualifying survivors of public safety officers who are killed in the line of duty would not be subject to federal income tax, as provided in federal law. Eligibility to receive benefit tax exemption will be determined by DRS. This affects survivor benefit recipients of LEOFF, WSPRS, and PERS members.

HB 1519 - Death Benefits for PERS, SERS, and TRS

This bill provides that beneficiaries of a member killed in the course of employment would receive retirement benefits without actuarial reduction, no longer reflecting the difference in the number of years between age at the member's death and normal retirement age. This bill applies retroactively to include any members killed on or after July 1, 2001. Eligibility to receive the benefit will be determined by the Department of Labor and Industries.

Questions?

If you have any questions regarding this DRS Notice, please contact Employer Support Services at (360) 664-7200 or 1-800-547-6657, or email us at DRSEmployer@DRS.wa.gov.

This Notice can be accessed on the DRS Web site at <http://www.drs.wa.gov/employer>.

John F. Charles
Director

2003 DRS Notices

For a copy of a Notice, call (360) 664-7169 or 1-800-547-6657, or access on the DRS Web site at <http://www.drs.wa.gov/employer>.

Notice No.	Applies to/ Subject Matter
03-001	All Employers Contribution Rate Changes
03-002	SERS Employers Rate Update
03-003	All Employers Summary of 2003 Legislation